



2019/20 APPROVED BUDGET

Presentation to Chancellor's Cabinet and Academic Senate Leadership

June 3, 2019

All figures in \$Millions unless specified otherwise.
All figures rounded.

UC San Diego

TABLE OF CONTENTS

- Financial Context
- Vice Chancellor Budget Presentations
- Strategic Discussion

AGENDA

8:00 – 8:30	Working Breakfast & Financial Context
8:30 – 9:30	Academic Affairs
9:30 – 10:30	Health Sciences
10:30 – 10:45	Break
10:45 – 11:30	Marine Sciences
11:30 – 12:00	Student Affairs
12:00 – 12:30	Research Affairs
12:30 – 1:00	Lunch
1:00 – 1:30	Equity, Diversity and Inclusion
1:30 – 2:00	Resource Management & Planning
2:00 – 2:15	Break
2:15 – 2:45	Chief Information Officer
2:45 – 3:15	Chief Financial Officer
3:15 – 4:00	Strategic Discussion

FINANCIAL CONTEXT

2019/20 TOTAL BUDGET

Revenues	Total \$5.5 Billion ¹	Expenditures
Core Operating revenues <ul style="list-style-type: none"> • State appropriation • Resident tuition • Research overhead • Non-resident tuition • Other core (auxiliary dividends, patent net income, other misc. fees) 	<div>Operating Budget \$1.5 Billion</div>	Core Operating expenses <ul style="list-style-type: none"> • Faculty • Instructional support • Student services • Financial aid • Buildings & Utilities • Administrative infrastructure • Public service
Auxiliary <i>Housing, Parking, Bookstore</i>	\$630M	Auxiliary <i>Housing, Parking, Bookstore</i>
Health System + Clinics	\$2.4 Billion	Patient Care
Private Gifts ²	\$120M	Gifts spend
Contracts and Grants ³	\$840M	Sponsored projects

FINANCIAL CONTEXT

- We are finishing 2018/19 with a strong financial margin of \$28.4M
 - This is higher than initially budgeted due to significant growth in undergraduate enrollment driven by higher than expected admissions yield, stronger contracts and grants overhead and auxiliary dividends
 - We have delivered this growth with very little increase in core funded staff which is the largest portion of expense budget
- Revenue Growth will slow down because of undergraduate NR Cap
 - Since annual incremental revenues grow at a slower rate than the annual inflationary expenses, a projected deficit of \$24.2M occurs in 2021/22
 - This trend continues and worsens in 2022/23 where the deficit grows to \$58.3M
- Significant challenges lie ahead. We need to continue to drive:
 - Efficiencies and operational effectiveness
 - Revenue diversification strategies

CHALLENGING FINANCIAL CONTEXT

External pressures increasing expenses and limiting revenues

FINANCIAL LEVERS

Expense Pressures

- Mandatory salary increases for represented employees
- Salary Competitiveness
- Student Success programmatic needs

Expense management

- Zero-based budgets for administrative units
- Business process redesign and technology
- Lean staffing levels
- Academic allocations driven by enrollment and research productivity



Limited Revenue Levers

- Tuition Freeze without **recurring** state buyout under Governor Brown
- Resident UG enrollment underfunded
- Non-resident tuition Increase at risk
- Non-resident **enrollment capped**

CHALLENGING FINANCIAL CONTEXT

Revenue Opportunities

Impact Delivered since FY12

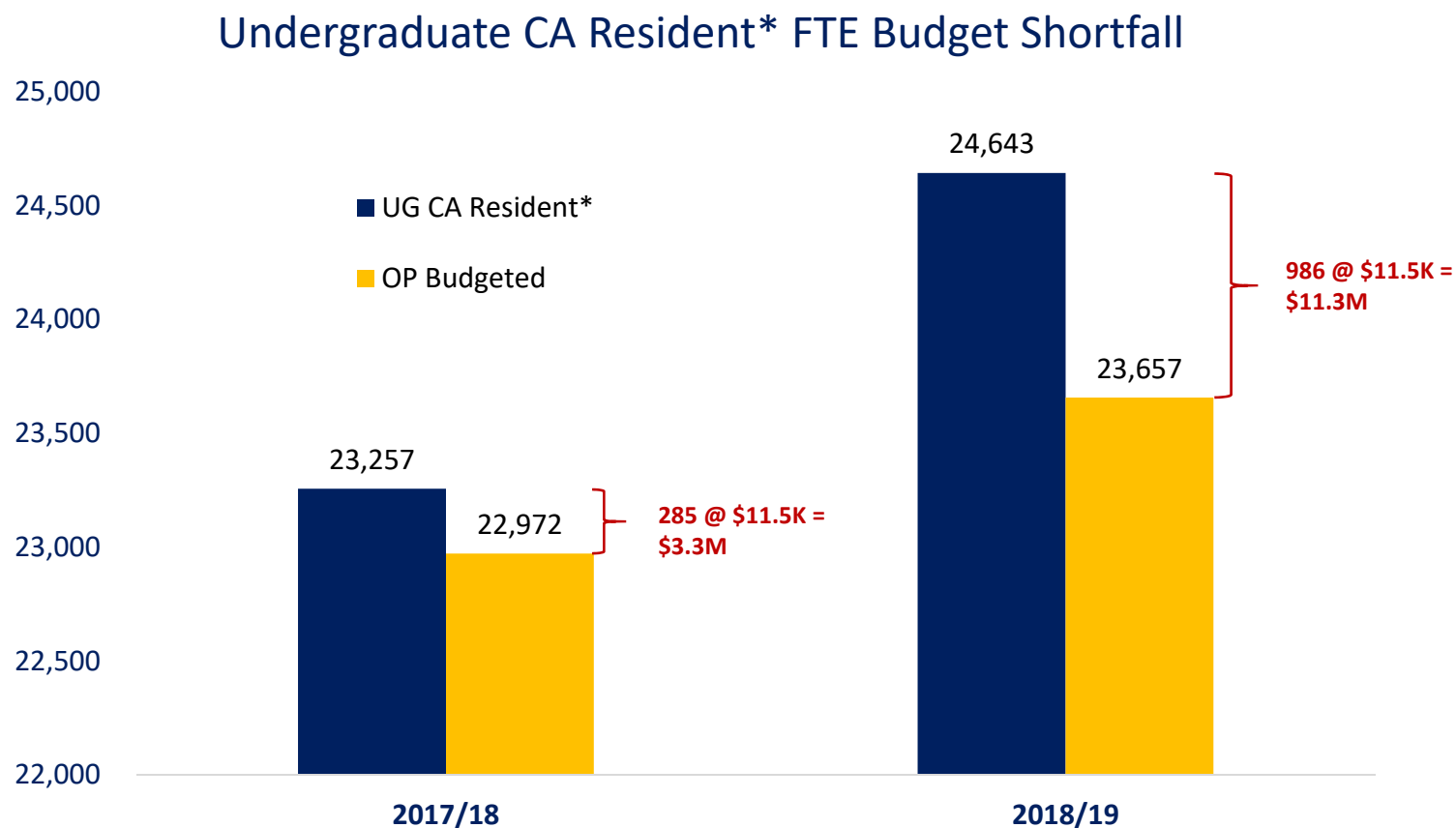
- Masters Revenue has increased by \$45M
 - FY12 -- \$26M
 - FY19 -- \$71M and project FY20 \$80M
- Endowment Value has increased by almost \$1.2B and generating over \$48M in annual operating income
 - FY12 -- \$555M
 - FY19 -- \$1.7B

New Opportunities

- Achieve Non-resident targets
- Academic Innovation (SAPD)
- Industry partnerships
- Fundraising campaign
- Real Estate income

CHALLENGING FINANCIAL CONTEXT

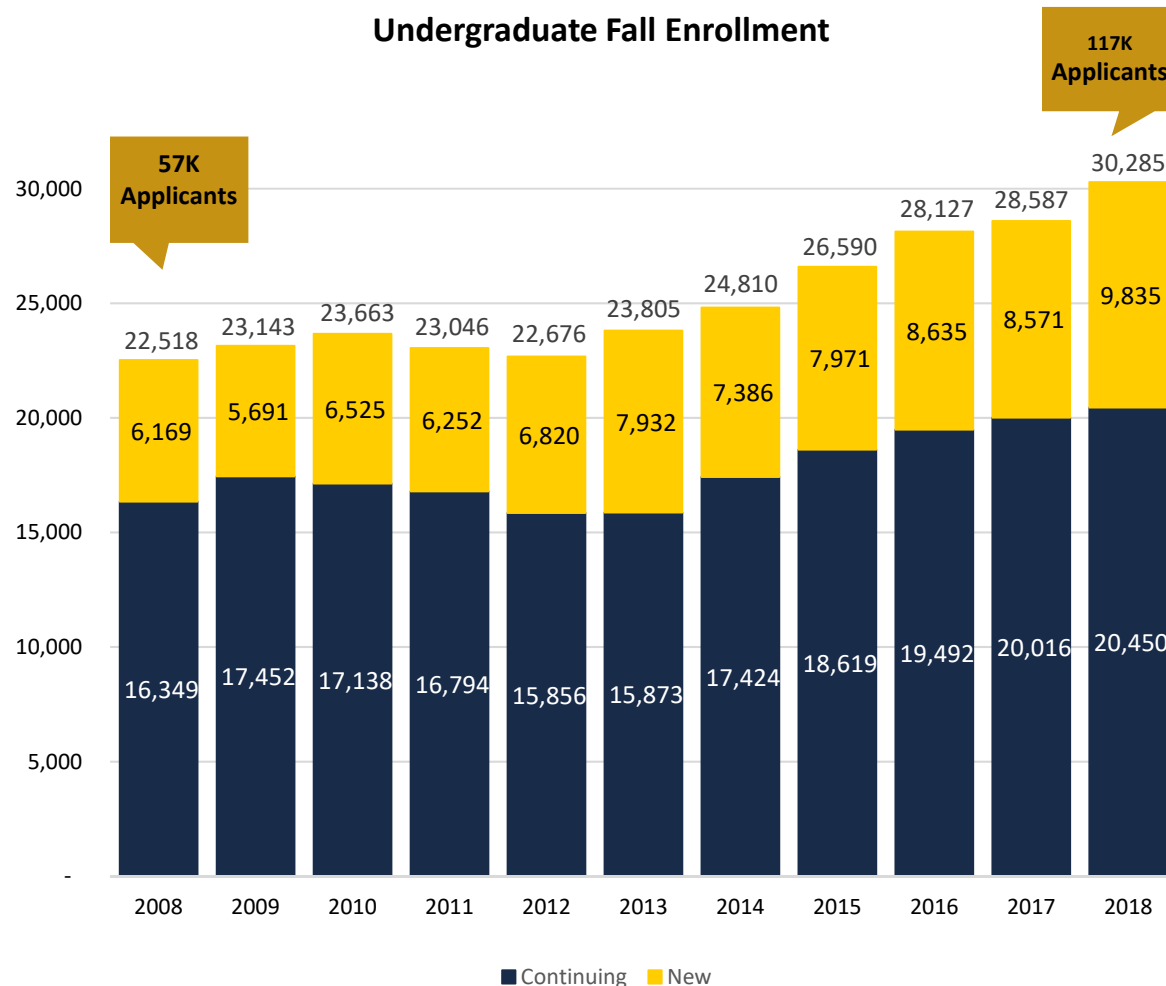
Undergraduate Enrollment Outpaces State Funding Per Student Funding Gap



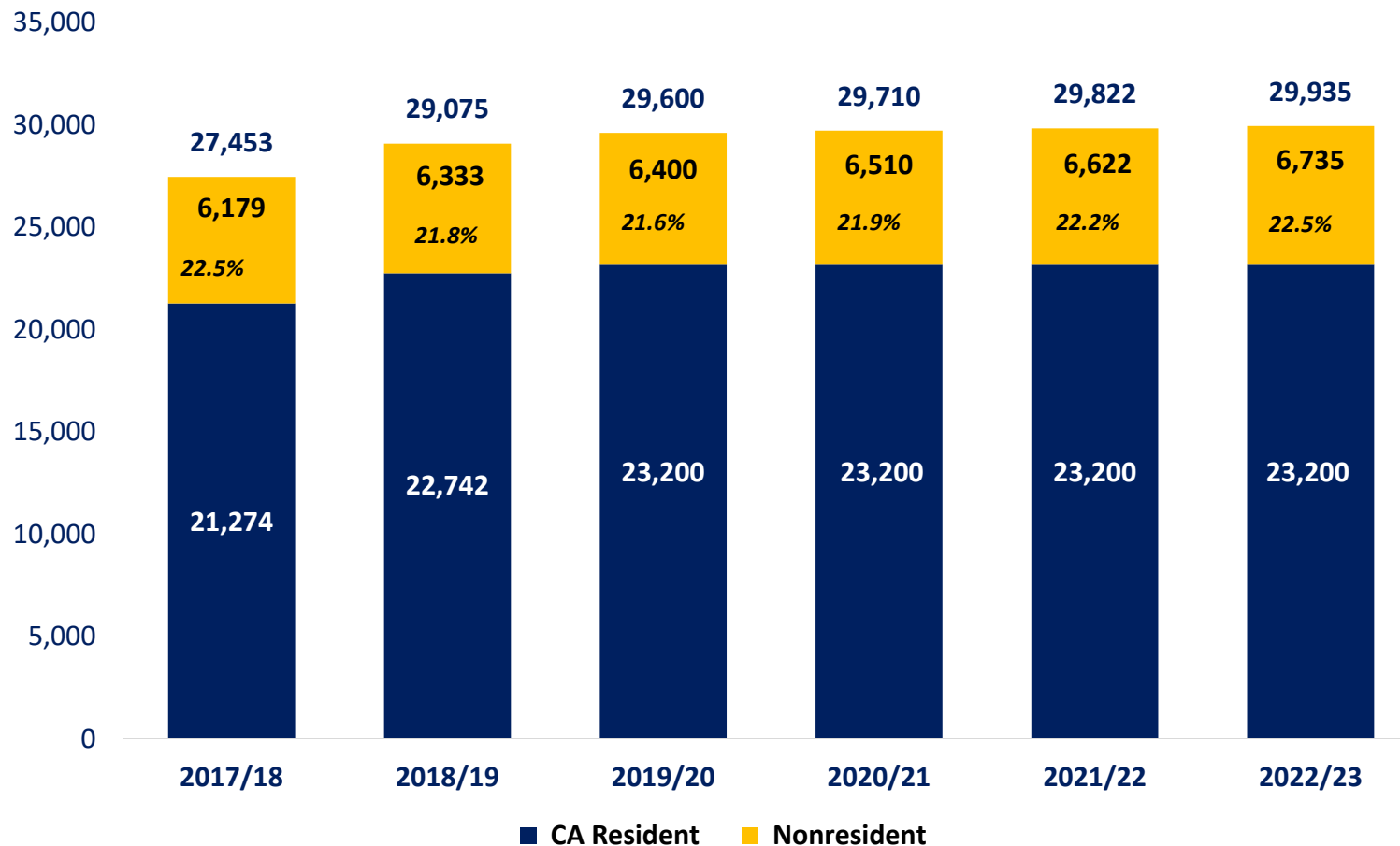
SUPPORTING STUDENT ACCESS

Increasing Undergraduate Enrollment

- Undergraduate applications have more than doubled between 2008 and 2018
- In response, overall UG enrollment has grown almost 35% in the same time period
- Number of **new** students increased almost 60% to 9,835
- Fall 2018 freshman enrollment yield of 23%, higher by 3% than past trends
- **Meeting this growth requires investments in faculty, advising, student services, academic infrastructure and housing**

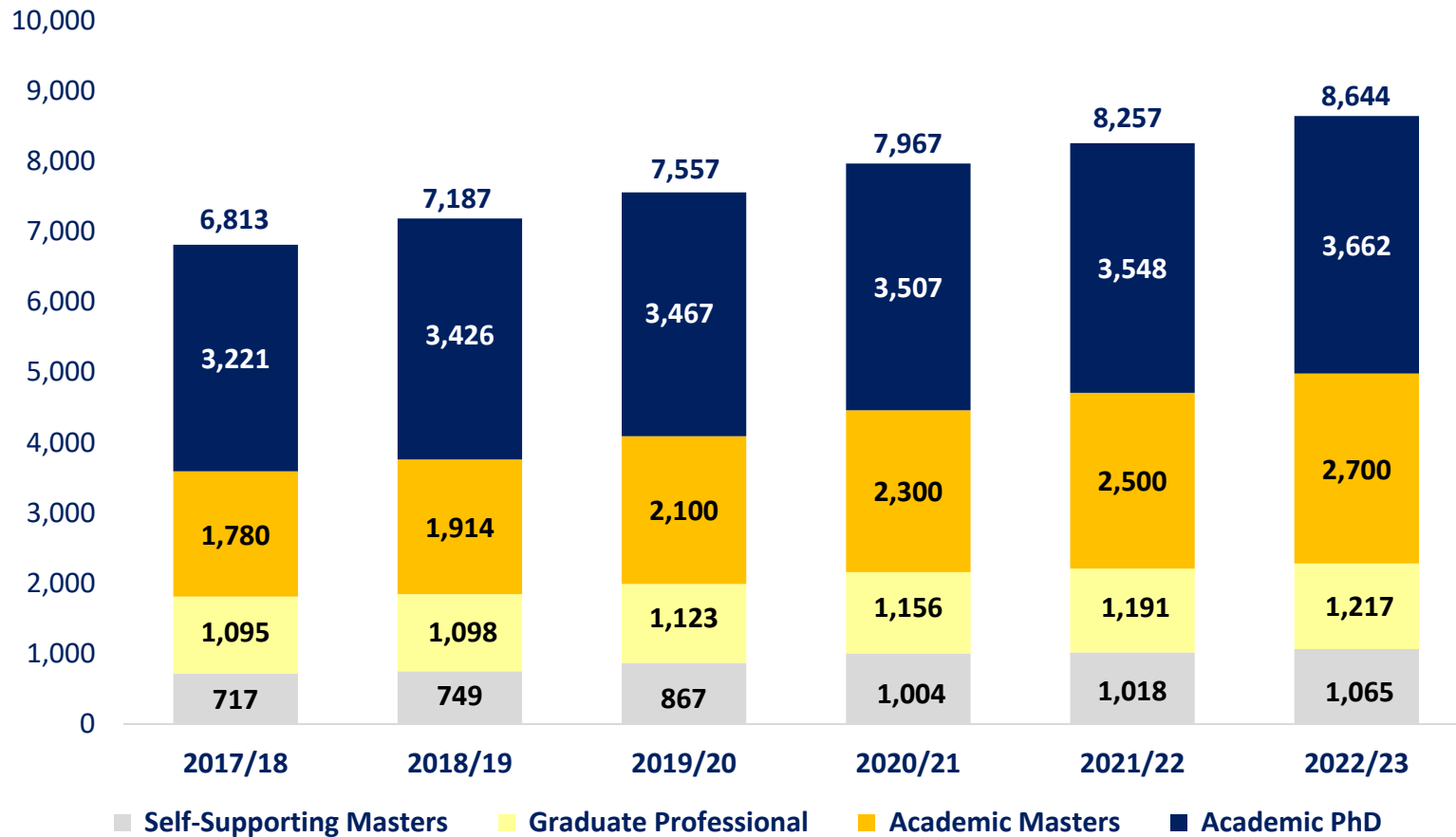


UNDERGRADUATE ENROLLMENT



- Resident enrollment leveling with increase in nonresident % back to cap
- Must achieve enrollment targets. Significant reliance on non-resident enrollment income
- Non-resident enrollment cap limits a major source of revenue growth

GRADUATE ENROLLMENT



- Growing academic and self-supporting masters
- Graduate Ph.D.'s growth needed to keep pace with UG

INVESTING IN LADDER RANK FACULTY

Reducing Student:Faculty Ratio

	2017/18	2018/19	2019/20	2020/21	2022/23	2022/23
Student FTE ¹	34,193	36,192	36,925	37,005	37,164	37,397
Filled LRF FTE ²	1,080	1,102	1,147	1,194	1,240	1,284
Student to Filled LRF Ratio	31.7	32.8	32.2	31.0	30.0	29.1
Total Faculty FTE ³	1,353	1,379	1,425	1,471	1,517	1,561
Student to Total Faculty Ratio	25.3	26.2	25.9	25.2	24.5	24.0

Faculty Growth Plan:

- UC San Diego is adding between 150-200 net new LRF FTE between 2017 and 2022, contingent on funding availability, to get to a SFR of 29:1, bringing it more in line with UCLA/UCB/UCD Ave.
- SFR for total faculty is projected to be at 24:1 compared to the SFR target of 19:1

Challenged by:

- Competitive recruitment market for the highest quality faculty
- Limited State resources, cap on non-resident enrollment and risk of prolonged tuition freeze

INDIRECT COST RECOVERY

Revenue Sharing Model

(\$Millions)

- Academic VC receives 50% of incremental ICR generated
- Healthy ICR income growth projected over coming years

Vice Chancellor	Actuals						Budget	Projected	Change over Prior
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
Academic Affairs	64	67	63	62	66	65	65	73	12.9%
Health Sciences	118	117	116	122	127	133	141	148	5.7%
Marine Sciences	26	28	26	25	27	25	24	25	3.8%
Total	\$208	\$211	\$205	\$209	\$219	\$224	\$229	\$247	7.5%

ACADEMIC INNOVATION

Strategic Academic Program Development

Objectives

- Enhanced educational experience and outcomes for our students
- Strengthened institutional reputation, nationally and internationally
- Revenue creation to sustain investment in the education and research enterprise

Year 1 Program Updates:

- To date, 7 varied proposals from RFP1 moving forward with institutional support; 4 further submissions still being assessed
- 4 pilot summer programs to be launched in summer 2019
- Current modeling predicts \$55M in revenue

Principles

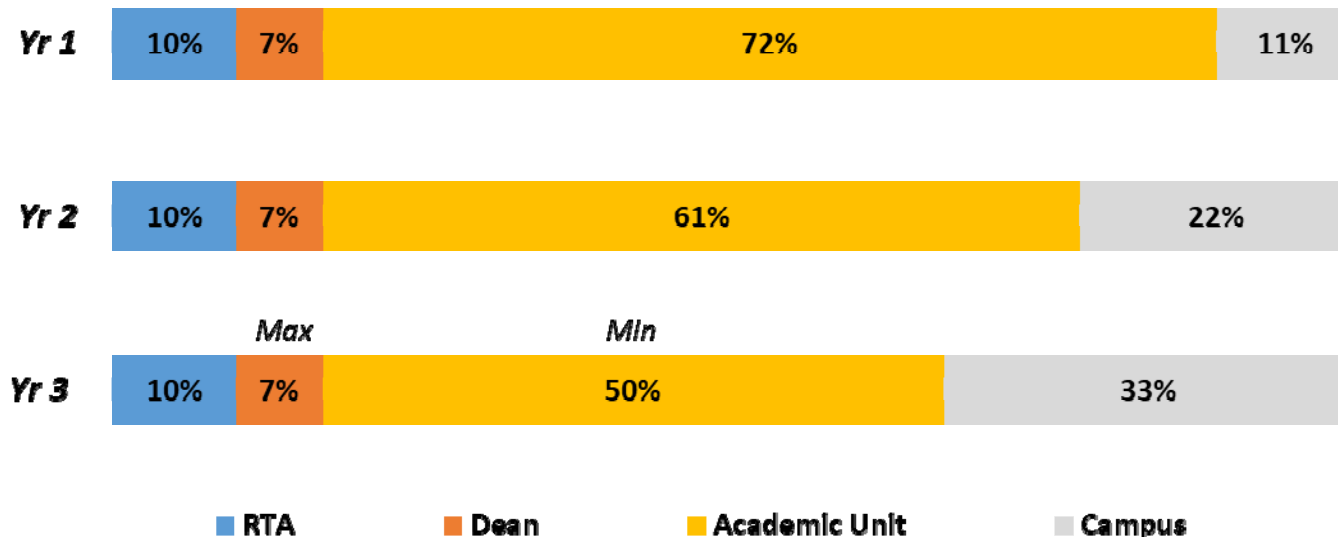
- **Leveraging our collective abilities** and coordinating our efforts; strengthening campus capabilities in key areas
- Using **aligned incentives and support** to enable units and faculty to participate and to champion change
- Maintaining **department autonomy** about whether and how to participate
- Requiring **unit accountability** by distributing both revenue and responsibilities
- Keeping **strategic focus** (fewer, bigger opportunities) **and agility**
- Supporting an **experimental mindset** as the program priorities and approach are refined

* Strategic Academic Program Development initiative.

ACADEMIC INNOVATION MODEL

Strategic Academic Program Development

Revenue Sharing Ramp Up



RTA:

- For degree programs RTA can be utilized by the program for diversity and need based aid
- For Non-degree programs use of RTA will be considered by the EVC on a case-by-case basis

Dean

- 7% reflect maximum Dean share which can be lower to provide stronger distribution to Unit

Academic Unit

- Unit to cover costs from revenue share
- Ramp up shares reflect minimums which can be higher depending on Dean share

Campus

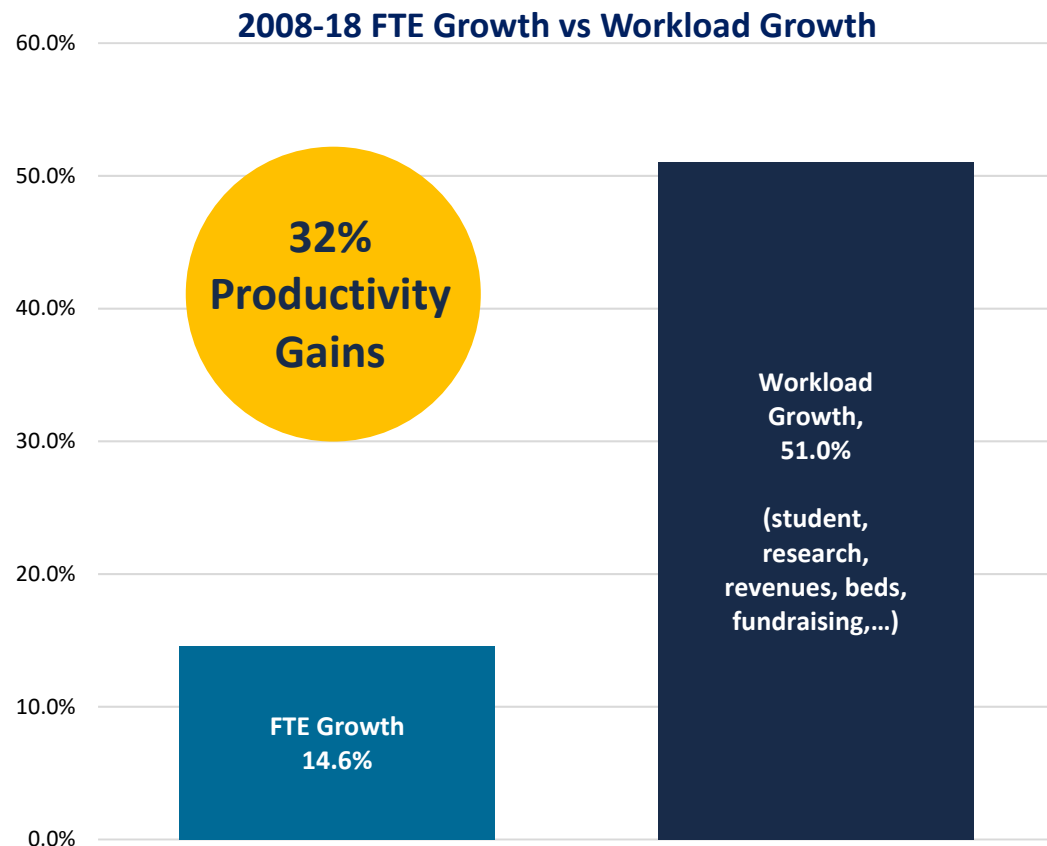
- Campus share phased in to assist start-up
- Campus share will cover overhead

* Strategic Academic Program Development initiative.

LEAN INFRASTRUCTURE

32% Productivity Improvement over 10 years

- Administrative Streamlining: reorganizations, shared service models
- Financial Simplification: Simplified Operating Fund implemented, new Chart of Account underway
- Business Process Reengineering: over 2,000 employees trained in lean 6-Sigma; on-going process reviews
- Technology: full Enterprise Renewal underway (Finance, HR, Students, Research) for \$65 million one-time; subscription costs offset by staff reductions



BUDGET ASSUMPTIONS

Subject to change until Governor signs the Budget Bill

- **Revenues**
 - Based on the Governor's proposed budget for 2019/20¹
 - Slowing enrollment growth
 - Indirect Cost Recovery increases to approved IDC rate of 58%
 - No Systemwide Resident Tuition and Student Services Fee increase
 - Non-resident enrollment capped²
 - Auxiliary Contributions (ASSA) increase 0.5% each year to 6.5% of revenue
- **Expenses**
 - Budgeted salary programs including market adjustment for Ladder Rank Faculty
 - Inflation increases related to facilities and OP assessment
 - Debt service for new academic buildings
 - Continued transition to market based utilities rates
- **Empowering Academic Units through Revenue Sharing Programs**
 - Indirect Cost Recovery Model
 - Strategic Academic Program Development (SAPD) including Self-Supporting Master's, Online Master's Degree, Concurrent Enrollment, Certificate Programs, and Non-Credit Courses

CORE OPERATING REVENUES

Source \$ in Millions	18/19 Recurring	18/19 One-time	19/20 Recurring	19/20 One-time	Comments
State	\$315.9	\$30.0	\$336.1	\$0.0	Based on Governor Newsom's proposed budget for 2019/20 which includes a partial Tuition and SSF replacement. Projections are inflated 3% going forward.
Tuition & Fees	725.4	-	743.6	-	Estimated \$18.2M in additional Tuition & Fee revenues generated in 19/20 driven by UG enrollment growth and self-supporting fee revenues. Fee rates assume no increases in Tuition, NRST and the Student Services Fee. Includes PDST increases according to approved multi-year PDST plans.
UG Resident	296.4		303.0		
UG Non-Res	259.6		262.3		
Grad PhDs	59.4		56.9		
Masters	70.6		79.9		
Professional	39.4		41.5		
Indirect Cost Recovery	234.7	-	246.5		Includes newly negotiated IDC Rate increase ramped up to 58% and incorporates the ~30% increase in federal/industry YTD awards.
Other Core Revenues	124.1	-	137.3		Auxiliary Dividends, Endowment Cost Recovery, UC General Funds, OP assessment
Fundraising Resources	7.3	-	10.1	-	
TOTAL	\$1,400.1	\$30.0	\$1,463.5	\$0.0	\$63.4M Recurring funds Increase

VICE CHANCELLOR BUDGET PRESENTATIONS

STRATEGIC DISCUSSIONS

- Proposed Investments
- Five Year Outlook
- Capital Program Update

PROPOSED SELECT STRATEGIC INVESTMENTS

- Proposed recurring investments include instructional and student success support:
 - Faculty and Teaching Assistant FTE
 - Academic advising in departments and colleges
 - Seventh College infrastructure startup
- Proposed one-time investments include:
 - Faculty hiring and start-up funds
 - Research & academic infrastructure upgrades and equipment
 - Institutional support: technology upgrades, animal care facilities inspection readiness, campus planning studies, electric vehicles

2019/20 NEW APPROVED FUNDING

By Unit 2019/20	Approved		Comments
<i>\$ in Millions</i>	Recurring	One-time	
Academic Affairs	\$9.3	\$7.4	Temporary faculty hires (\$7.4M), 13 FTE Departmental Support (\$1.2M), 5.0 FTE Seventh College (\$905K), 3.0 FTE Academic Integrity (\$279K), Commons \$1.4M includes \$334K for 3.0 FTE Increase impact of student success, 12.0 Additional FTE for Student Affairs and academic counseling (\$1.25M), 1.0 FTE to ensure regulatory compliance, reduce risk 1x for 3 yrs at \$172K per year or until internal resources are identified (2nd of 3 yr),
Health Sciences	-	3.3	Student Research Training (\$140K/year for 5 yrs), Memory Disorders Clinic (\$475K), Advanced Cytometry (\$1M), Neurobiology of Need (\$500K/year for 5 yrs), URM faculty development (\$50K/year for 5 yrs), URM faculty hire and startup, Ctr for Interpersonal Communication (\$300/year for 5 yrs)
Marine Sciences	-	2.7	All one time - Faculty Startup Support for additional Joint Hires (\$250K), Marine Conservation Facility (\$1.3M), Seaport Village Industry Center (\$300K) Seaport Village Aquarium and Learning Center (\$233K), Hydraulic Laboratory and Wave Pool Build Out (\$600K), Ocean Innovation and Industry Center Seaport Planning (\$300K)
Equity, Diversity and Inclusion	0.2	0.2	Resource Centers Programming recurring (\$100K), Latinx/Chicanx Academic Excellence Initiative media campaign (\$190K) Raza Resource Center 1.0 FTE Achievement Counselor recurring (\$131K)
Research Affairs	0.4	2.3	1.0 FTE Compliance Analyst (\$125K), CT.gov software (\$25K), SOPHIA Implementation (patent tracking, royalty distribution modules)(\$30K), On going SOPHIA software costs (\$30K), SOPHIA salary support (\$125K), Compliance operations investigations (\$130K). AALAC Accreditation occurs once every 3 years Animal Care Program (\$2.0M)
Student Affairs	0.6	0.4	Grad Student Case Mgr (1.0 FTE, \$102.3K); Restorative Justice Peer Advocates (Pilot) - \$60K, National Conflict Resolution (up to \$134K/year for 5 yrs with after Endowment) ; Transfer Student Success Coordinator (1.0 FTE, \$113.6K); Transfer Student Success Peers (\$104K); Student Veterans Operations Specialist (1.0 FTE, \$102.3K); Student Veterans Student Leads (\$62K); International Peer Success Coaching Pilot (\$84K); Winter TritonFest (\$116K)
Advancement	0.2	2.0	New request for Celebration Event (\$2M), 2.0 FTE for additional industry engagement for Biological Sciences and International Students (\$188K)
Resource Mgmt & Plng	0.7	0.8	1.0 FTE Fire inspector (\$133.5K) and 1.0 FTE Continuity Planner (\$129K) On-going waste and recycling (\$175K) School of Medicine and Campus Trail System Planning Studies (\$450K and \$300K respectively)
Chief Financial Officer	0.2	5.8	UCSD business and technical costs for UC Path implementation (\$5.6M), Real Estate Analyst (\$150K), Fleet Renewal - 3 new vehicles (\$100K) HR - Strategic Plan Review (\$100K)
ITS	0.3	-	Software support/ license cost increases (\$250K - \$791K Total recurring per year for two years, \$291K in third year), includes Gradescope Software Campuswide Box Split
Office of The Chancellor	1.0	1.8	Campus Commencement \$1.1M in one time, Marketing and Communications function (\$427K), Campuswide marketing/branding (\$650K), OPHD Hiring Plan (\$464K)
Grand Total	\$12.8	\$26.6	

5-YEAR PROJECTED COMMITMENTS*

By Unit						
<i>By Unit (\$ in Millions)</i>	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Academic Affairs	\$56.1	\$27.3	\$37.7	\$42.2	\$37.7	\$201.0
Health Sciences	22.4	15.0	18.3	15.6	17.1	88.4
Marine Sciences	5.1	2.6	2.7	2.6	2.7	15.8
Equity Diversity & Inclusion	0.5	1.0	0.8	0.1	0.1	2.5
Research Affairs	6.8	4.2	1.4	2.6	1.3	16.3
Student Affairs	2.8	1.3	2.8	2.8	3.4	13.1
Advancement	8.1	7.6	7.6	2.6	2.6	28.6
Resource Mgmt & Plng	8.0	8.9	13.0	16.3	3.8	50.0
Chief Financial Officer	8.6	4.5	2.9	2.2	2.5	20.7
Office of The Chancellor	4.2	0.5	0.5	0.5	0.5	6.2
Campus Capital/Facilities	4.5	3.9	8.3	17.5	0.0	34.2
Grand Total	\$127.1	\$76.9	\$96.0	\$105.1	\$71.9	\$477.0

FIVE-YEAR BUDGET OUTLOOK

Revenues (<i>in millions</i>)	2019/20	2020/21	2021/22	2022/23	2023/24	Notes
State Appropriations	\$ 336.1	\$ 343.5	\$ 351.6	\$ 360.3	\$ 369.5	- 3% Base budget increase from State in 2018/19 and thereafter.
Tuition & Fees	\$ 743.6	\$ 759.1	\$ 775.5	\$ 790.1	\$ 804.8	Estimated \$18.2M in additional Tuition & Fee revenues generated in 19/20 driven by UG enrollment growth and self-supporting fee revenues. Fee rates assume no increases in Tuition, NRST and the Student Services Fee. Includes PDST increases according to approved multi-year PDST plans.
UG Resident	\$ 303.0	\$ 299.4	\$ 297.0	\$ 296.4	\$ 299.1	
UG Non-Res	\$ 262.3	\$ 267.1	\$ 276.2	\$ 281.2	\$ 288.8	
Grad PhDs	\$ 56.9	\$ 59.0	\$ 61.2	\$ 63.3	\$ 64.5	
Masters	\$ 79.9	\$ 89.5	\$ 94.8	\$ 100.7	\$ 102.1	
Professional	\$ 41.5	\$ 44.1	\$ 46.4	\$ 48.5	\$ 50.3	
Indirect Cost Recovery	\$ 246.5	\$ 257.3	\$ 268.8	\$ 280.4	\$ 291.4	Includes newly negotiated IDC Rate increase phased up to 58% and incorporates the ~30% increase in federal/industry YTD awards.
Other Core Revenues	\$ 137.3	\$ 150.8	\$ 158.3	\$ 168.4	\$ 207.1	Auxiliary Dividends, Endowment Cost Recovery, UC General Funds, OP assessment.
	\$ 1,463.5	\$ 1,510.7	\$ 1,554.2	\$ 1,599.2	\$ 1,672.8	
Commitments						
Base plus proposed funding increases	\$ 1,435.1	\$ 1,507.9	\$ 1,578.4	\$ 1,657.5	\$ 1,711.0	Includes existing base budget plus forecasted compensation increase, OP assessment, facilities financing and recurring commitments.
Operating Surplus/(Deficit)	\$ 28.4	\$ 2.8	(24.2)	(58.3)	(38.2)	

PROJECTS IN CONSTRUCTION



1. Nuevo West (2020)
2. Nuevo East (2020)
3. Ped/Bike Bridge (2019)
4. Light Rail Transit/Voigt Drive Improvements (2021)
5. NTPLLN (2020)

Innovation and Cultural Hub located Downtown – not shown

PROJECTS IN DESIGN



1. Franklin Antonio Hall
2. Design & Innovation
3. Pepper Canyon West Upper Division Housing
4. Triton Pavilion
5. Future College
6. Marine Conservation and Technology Facility
7. 7th College (Renovations)

PROJECTS IN PLANNING/FEASIBILITY



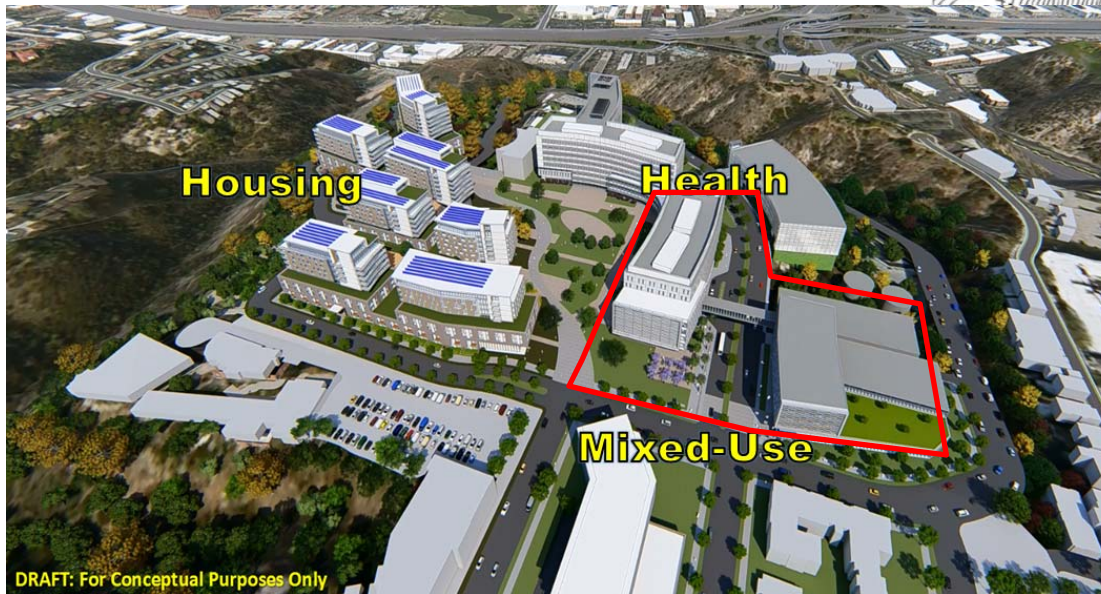
1. Main Gym Renovation
2. Canyonview Renovation
3. Voigt (P701) Parking Structure
4. Viterbi Vision Center and Shiley Eye Institute
5. Hotel/Conference Center
6. Science Research Park
7. Faculty/Staff Housing
8. South Mesa Grad Housing
9. Extension Site – Housing
10. Marshall Lowers – Housing
11. Pepper East – Housing
12. Biomed Research Facility 3

PUBLIC REALM PROJECTS IN PLANNING

Projects being considered or in study, design and/or construction:

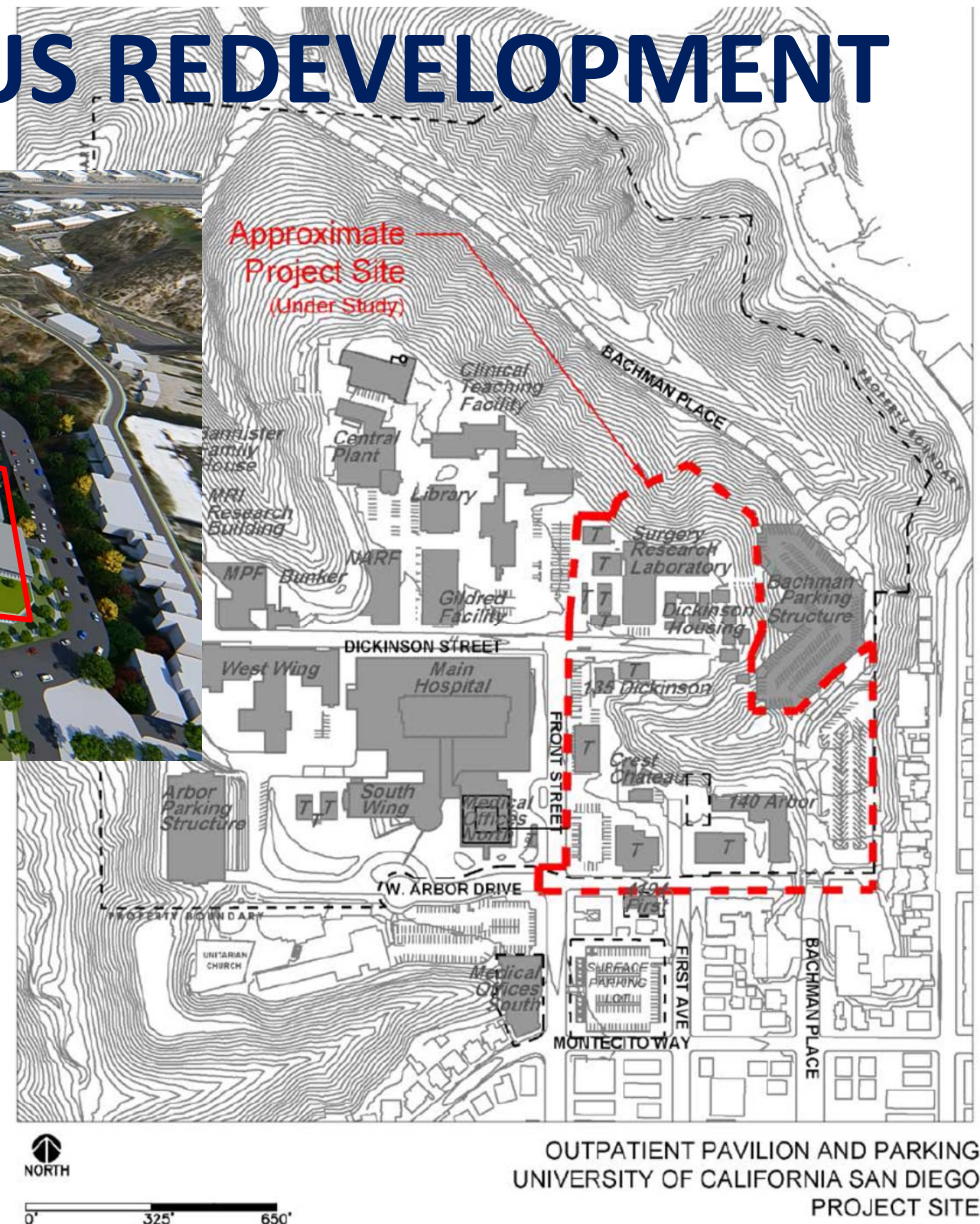
- 1 Ridge Walk phase 1
- 2 Ridge Walk phase 2
- 3 North Torrey Pines Living & Learning
- 4 Reville Plaza
- 5 Future College
- 6 Triton Pavilion
- 7 RTP / Light Rail Transit Pepper Canyon
- 8 Geisel Public Realm
- 9 Warren Mall

HILLCREST CAMPUS REDEVELOPMENT



Phase 1 – Outpatient Pavilion and Parking

- 200-220K GSF Facility
- 2,000 Parking Spaces
- Currently in Programming
- 2023 Completion



Thank You!